

Maine Community Foundation



MEMORANDUM

TO: High School Guidance Counselors and Scholarship Advisory Committee Chairs
FROM: Cherie Galyean, Scholarship Manager
DATE: October 25, 2011
RE: ***Time-sensitive Scholarship Information – Please Read***

The provisions of the Pension Protection Act of 2006 (PPA) mandate that the Maine Community Foundation board of directors appoint all members of scholarship selection/advisory committees annually. In preparation for the 2012 scholarship season, please verify the committee information on the enclosed 2012 Compliance Confirmation Form(s) and return them to me at the Ellsworth address below by November 30, 2011.

The 2012 forms are based on the information you supplied last year. Please note any changes in membership or contact information directly on the form. *This year we ask that you ensure that we have the mailing addresses for your committee members as we will send them newly required forms for their signatures in January.* If your scholarship committee is the same for more than one fund, you may submit one master membership list and sign/date each fund's form.

As a reminder, we must collect this information to confirm that committee membership meets the following criteria:

- *The donor, and parties related to the donor, do not comprise a majority of the selection committee and/or unduly influence the proceedings directly or indirectly.*
- *All grants are awarded on an objective and nondiscriminatory basis using a procedure that has been approved in advance by the foundation's board of directors and that meets the IRS-defined requirements for grants of this type. Key to this procedure are a grantee pool large enough to encompass a charitable class, selection criteria that does not unfairly limit the grantee pool (e.g. preference to family members), and the person or group of persons who select recipients are not in a position to derive a private benefit, directly or indirectly, from the selection process.*

Also enclosed is MaineCF's updated 2012 Handbook for Scholarship Advisory Committees, to copy and share with your committee members. This outlines the IRS regulations and MaineCF policies that will guide your deliberations. Please make special note of the following:

- *The donor(s) of the scholarship fund and his/her family members may not receive an award from the fund. The IRS defines a "member of the family" as a spouse, ancestors, children, grandchildren, great grandchildren, and spouses of children, grandchildren, and great grandchildren. A brother or a sister of an individual is not a member of the family for this purpose. A legally adopted child of an individual will be treated as a child by blood.*

I look forward to hearing from you at 667-9735 ext. 1106 or cgalyean@mainecf.org if you have any questions or comments. Thank you for your patience and understanding as we work through the requirements of these regulations.



HANDBOOK FOR SCHOLARSHIP SELECTION COMMITTEES

The Maine Community Foundation is greatly indebted to you for serving as a scholarship selection committee member. You make it possible for the foundation to fulfill the donor's wishes and to disburse awards in a meaningful and appropriate manner. Further, your involvement keeps us in touch with the educational environment in your community.

This handbook is a compilation of best practices from other community foundations and feedback from many selection committees. We have woven these into procedures that flow well administratively and meet Internal Revenue Service (IRS) legal requirements. As we learn more about good grantmaking practices and/or legal issues, we will send updates to your committee.

OVERVIEW OF THE FOUNDATION

The Maine Community Foundation is a reflection of the value people place on strong Maine communities. Since 1983, we have worked with donors to establish charitable funds that support nonprofits and students. The foundation is a family of funds—more than 1300—and each one has its own focus and philanthropic direction. Like Maine itself, our funds are diverse, created by people of all ages, ethnicities, religions and political views.

Since opening its doors in 1983, the foundation has awarded more than \$150 million in grants to worthy projects and students. The community foundation promotes active philanthropy by stewarding charitable funds and by connecting charitably minded citizens to causes they care about. The foundation also serves as a civic leader, convener and sponsor of special initiatives in the arts, social capital, education, environment and other fields.

Roughly 11% of the foundation's assets are dedicated to scholarship funds and other individual award programs. There are approximately 450 funds supporting Mainers in all phases of their education.

BACKGROUND: SCHOLARSHIP SELECTION COMMITTEES

By IRS regulation, all scholarship decisions must be made by a committee. MaineCF administers the process differently depending on the size of the fund and its relationship with the selection committee. Regardless of these variations in the process, the guidelines described in this document are relevant to everyone.

- **Independent Scholarship Funds** The majority of committees manage the application and selection process independent of MaineCF. Committees may choose not to acknowledge receipt of individual applications. After the selection meeting, the committee chair submits a Recommendation Form (Addendum B) to MaineCF detailing the recipient(s), award amounts and contact information. We would appreciate receiving a copy of the minutes of the meeting as well. MaineCF sends a terms of award letter to the recipient and administers the check to the college, usually in early December. The committee should write a note to those applicants who were not selected, thanking them for their interest and wishing them the best in their college career.
- **Maine Community Foundation-administered funds** MaineCF administers the application process for a small number of funds. These submissions are acknowledged, screened for eligibility and completeness and forwarded to the selection committee for their review. The committee chair submits a Recommendation Form to MaineCF, detailing the recipient(s), etc. We would appreciate receiving a copy of the minutes of the meeting as well. MaineCF sends a terms of award letter to the recipient and administers the check to the college, usually in early December. We write a note to the students not selected.
- **Designated Scholarships** A number of scholarship funds are “designated” to a specific organization, which is responsible for the application, selection and award processes. MaineCF has no administrative role other than issuing an annual check to the organization representing that year’s grant budget.

Committee Member Responsibilities

Committee members play a critical role in assisting the Foundation. Here are some ways you can help the process:

- By assisting with the administrative end of the fund, you keep it alive and help fulfill its promise. Your preparation for and presence at committee meetings are critical, particularly since these typically take place once a year. You will receive materials several weeks prior to each meeting to allow ample time for reading and reflection.
- You are a steward of the Fund, responsible for preserving its integrity. Your decisions must be guided by the Rules for Making Grants to Individuals (Scholarships) in the next section.
- Your respect for the confidentiality of the applications and the conversation during the committee meeting builds faith in the selection process.

Committee Composition

The Foundation adheres to The Pension Protection Act of 2006, which includes the following regulations that govern scholarship selection committees:

- The donor and parties related to the donor may not comprise a majority of the selection committee and/or unduly influence the proceedings directly or indirectly.
- All scholarships must be awarded on an objective and nondiscriminatory basis using procedures approved in advance by the Foundation's Board of Directors. Key to these procedures are a grantee pool large enough to encompass a charitable class, selection criteria that does not unfairly limit the grantee pool, and the person or group of persons who select recipients are not in a position to derive a private benefit, directly or indirectly, from the selection process.
- The Board of Directors of the Foundation must appoint and annually review the members of the selection committee.

ADMINISTRATION OF SCHOLARSHIP FUNDS

It is of the utmost importance that scholarship committees follow the rules regarding the selection process in this section.

Rules For Making Grants To Individuals (Scholarships)

The IRS strictly regulates "grants to individuals," which are commonly referred to as scholarships. The following rules should be followed by your committee in fulfilling its role:

- All awards must be given for educational purposes.
- Selection of recipients must be made on an objective, non-discriminatory basis.
- There must be no benefit to those who serve on the selection committee.
- Selection committee members must disclose to the Chair any familial relationship with an applicant and refrain from discussing and voting on that particular submission. The IRS defines a "member of the family" as *a spouse, ancestors, children, grandchildren, great grandchildren, and spouses of children, grandchildren, and great grandchildren. A brother or a sister of an individual is not a member of the family for this purpose. A legally adopted child of an individual will be treated as a child by blood.*
- The donor and members of his/her family (as defined above) may not receive a scholarship from the fund.
- There must be broad dissemination of eligibility requirements and deadlines for awards.
- Applicants must be judged against written selection criteria. The selection criteria must meet IRS standard guidelines and be submitted to the Foundation.

In addition to the IRS regulations noted above, MaineCF has adopted the following:

- It is recommended, but not required, that financial need of applicants be part of the selection criteria.
- It is recommended that individual awards be at least \$500 if possible. This is the minimum determined to be of significant value to the recipient.
- Recommendations for award recipients must be submitted to the Foundation in writing.
- The Board of Directors of the Foundation must ratify all award recommendations.

Defining Purpose, Eligibility Criteria & Application Procedures

The purpose of each scholarship fund is determined at the time it is established. For example, a fund may support graduating high school seniors in Washington County pursuing a career in boat building. The purpose of the fund is the foundation upon which the eligibility criteria and application procedures are built. While the latter may evolve with time, the former does not.

Establishing concise eligibility criteria is important for two reasons: 1) it helps students determine the appropriateness of their submitting an application and 2) it sets a common baseline for the committee. Depending on the purpose of the scholarship, elements examined in evaluating applicants might include:

- School transcripts as a measure of academic performance and demonstrated ability to succeed;
- Career and educational goals both as a measure of the student's compatibility with the fund's purpose and as statement of their ability to succeed;
- Extracurricular activities as a measure of the student's involvement, leadership and community service;
- Letters of reference to provide external input on a student's potential;
- Volunteer and/or work experience;
- Unusual circumstances that may make one applicant more worthy of consideration than others;
- Financial need (see below).

Many committees find it helpful to use a Ranking Sheet to guide their deliberations. A sample Ranking Sheet is attached for your review (Addendum A). We would be happy to design a sheet specific to your fund.

Application procedures must be clear and easily accessible to prospective applicants. Applications, and all supporting documentation such as recommendation letters and transcripts, must be postmarked/received by the stated deadline. If the application is not complete by the stated deadline, it is considered incomplete and should not be reviewed. It is of the utmost importance that the committee administers the application process fairly and equitably.

Selecting Recipients

Making a choice among worthy candidates is never easy. Basing the conversation on the eligibility criteria of the fund can help focus the discussion, whether or not a ranking sheet is used.

It is inevitable that committee members may have personal knowledge of applicants and/or their families. This knowledge can actually enrich the discussion, but it should be used in a non-discriminatory manner. Your objective is to be as fair and unbiased as possible when making your selections. As noted above, there are clear rules against conflict of interest by committee members. Committee members associated with an applicant must make this known, should not attempt to influence the decision and, if warranted, recuse themselves from the discussion and vote.

It bears repeating that the donor(s) of the scholarship fund and his/her family members may not receive an award from the fund.

Scholarship Award Procedures

As noted above, the Chair of the selection committee submits a Recommendation Form to MaineCF detailing the recipients of an award. We issue a Terms of Award Letter (Addendum C) to each recipient, which must be signed and returned to us. Our receipt of this confirms both that the recipient agrees to the terms of the award and the college the student is attending.

Award checks are made out to the college/recipient and sent to the college in early December for second semester expenses. A letter accompanying the check explains MaineCF's policies and requests that the college notify us if the student does not register or withdraws. In these instances, the institution issues a refund check to the Foundation, which is credited to the pertinent fund.

A Note on "Financial Need"

It is the rare student who does not require some financial assistance to meet expenses. The majority of students finance their education through a combination of federal grants, federal loans (subsidized or not), college-based grants, work-study, private scholarships, summer jobs and family contributions, which may include loans. The goal is to minimize loans and collect as much "free money"—grants and scholarships—as possible.

The Free Application for Student Aid (FAFSA) is the application for most federal student aid programs as well as for the Maine State Grant Program. This application generates a Student Aid Report (SAR), which includes the Estimated Family Contribution (EFC). A student's Cost of Attendance (COA) minus the EFC equals his/her "financial need". The COA differs from school to school so eligibility for financial aid can change depending on different college budgets. Sound complicated? It is, and it's a challenge to determine financial need when reviewing applications.

We recommend requiring submission of the SAR and EFC with the application, particularly for those funds where financial need is a critical eligibility component. While these numbers are not infallible, they do offer a common baseline for understanding an applicant's financial snapshot.

Award displacement is a concern of many committees. In most cases, when aid packages are adjusted due to a private scholarship, it is a student's loan package that is reduced. This is a positive outcome. Occasionally, well-endowed, highly competitive private colleges reduce institutional grant dollars as a result of an outside award. However, increasingly colleges recognize the negative impact that restrictive policies have on students and they are changing their policies. Awards of \$1,000 or less generally have little chance of adversely affecting students' aid packages. We work to ensure that our scholarship awards do not displace grant aid already awarded. In the case of large awards, we notify the college and the recipient that our scholarship is used to, 1) fulfill an unmet need, 2) reduce loan amounts, and 3) reduce work-study commitment. Recipients who are concerned should discuss the issue with their financial aid office.

SCHOLARSHIP PUBLICITY

The Foundation is responsible for the "official" dissemination of scholarship opportunities. These are posted on our website, www.maineecf.org, from which applications may be downloaded as well. Press releases are issued to newspapers throughout Maine. We are in constant communication with high schools and colleges concerning scholarships relevant to their students. However, committee members are our grass-roots representatives, and we rely on your assistance in spreading the word. There can never be too much publicity.

Committees are encouraged to issue press releases concerning recipients of the scholarship. All materials should contain the name of the fund and acknowledgement that it is held by the Maine Community Foundation. Please mention the total amount awarded rather than individual awards. We'd very much appreciate receiving any press clippings related to funds we hold.

CONTACT MAINECF

Please don't hesitate to contact Cherie Galyean, Scholarship Manager, with any questions or comments. Cherie can be reached at 877-700-6800 ext. 1106 (toll free in Maine) or cgalyean@mainecf.org.

**Maine Community Foundation
Handbook for Scholarship Selection Committees
Addendum A – Sample Ranking Sheet**

**Chet Jordan Leadership Award
Applicant Review Criteria**

Applicant: _____

The Chet Jordan Leadership Award is presented to students who are emerging leaders in their community and school. Academic excellence is not a prerequisite, but demonstrated compassion, dependability and hard work are.

The instructions for the essay are:

The Chet Jordan Leadership Award is presented to students who are leaders despite hardship, adversity or disability. How have you created opportunity in your life? Please be specific. We'd like to know what challenge(s) you overcame, who provided inspiration and guidance to you, and the outcome. What have you learned from this experience? (Please limit to 500 words.)

Financial need, school activities and grade point average carry little weight. That being said, we have included this information to give as complete a picture of the applicant as possible.

Please review each application and rank as follows:

()	Quality of Essay - well written, clear, concise? - does it answer the questions above?	(20) (15) (10) (5)	Outstanding Excellent Good Fair
()	Leadership Experience Has the applicant's leadership made a difference in his/her school and community?	(20) (15) (10) (5)	Outstanding Excellent Good Fair
()	Compassionate, dependable, hard working Does applicant exhibit these characteristics in school and community?	(20) (15) (10) (5)	Fully Partially one area only not much
()	Recommendation Letters Do the letters present a picture of the applicant as a leader who is hard working, compassionate and dependable?	(20) (15) (10) (5)	Outstanding Excellent Good Fair
()	TOTAL		

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Addendum B – Recommendation Form

MAINE COMMUNITY FOUNDATION
2011 SCHOLARSHIP RECOMMENDATION FORM

Please return no later than June 15, 2011

ABCD

ATTENTION SCHOLARSHIP COMMITTEE CHAIR:

Please *complete* this form, sign, and return to the Scholarship Funds Manager, Maine Community Foundation, 245 Main St., Ellsworth, Maine 04605. If you have questions, please contact Cherie Galyean at 877-700-6800 or cgalyean@mainecf.org

NAME OF SCHOLARSHIP FUND: NAME OF FUND

1. Scholarship Selection Committee Chairperson:

Name: _____
Address: _____
Phone: _____ Email: _____

2. Signature of Committee Chairperson: _____

3. Location/Date of Scholarship Advisory Committee Meeting:

Location: _____ Date: ____/____/____

4. **FOR HIGH SCHOOL ADVISORY COMMITTEES ONLY:** If your High School presents Scholarship Awards at a special ceremony or at graduation, would you prefer award letters to be sent to your committee chair for presentation? (Include address of school.

YES ____ Send to: _____

NO ____ Send to student at his/her home address.

TOTAL AMOUNT AVAILABLE FROM THIS FUND: \$ (amt available for distribution)

TOTAL AMOUNT AWARDED: \$ _____

NUMBER OF APPLICANTS: _____ NUMBER OF RECIPIENTS: _____

2011 SCHOLARSHIP RECIPIENTS:

1. Name: _____	College: _____
Home Address: _____	College Address: _____
County: _____ Phone: _____	_____
SS#: _____ Award: _____	_____

PLEASE NOTE: For additional recipients, please use the reverse side of this sheet.
Please photocopy the reverse side and attach to this original if necessary.

**Maine Community Foundation
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Addendum C – Terms of Award Letter**

It is my pleasure to inform you that the Maine Community Foundation has approved a \$XX scholarship award to you for the 2010-2011 academic year from the XX Scholarship Fund. To indicate your acceptance of this award please sign and return the enclosed copy of this letter **before September 1, 2011.**

Payment of this scholarship award will be sent to your college or university in early December and is to be applied to your second semester tuition. The check will be made co-payable to (College) and (Recipient); meaning that you must sign the check at the school's business office in order for the school to cash it. **Contact MaineCF as soon as possible if your school changes before December 1.**

Please be sure to inform your school of this new award, since it may affect your financial aid package. It is our intention that this award not reduce grant aid in the aid package offered to you by your school. If your financial aid package must be altered, please request that this scholarship award be used to reduce loans or work-study grants.

You should be aware that IRS regulations require that scholarship awards not used to cover tuition, fees, books, supplies or equipment are considered taxable income to you. If you have any questions about the tax implications of this award, please consult your family's tax advisor.

Again, congratulations on earning this scholarship award and best wishes for success in your academic pursuits. If you have any questions, please feel free to contact our office.

Best regards,

Cherie Galyean
Scholarship Manager

Enclosure

Your signature below will indicate acceptance of and agreement with the Terms of Award described above. Your award will not be processed if this section is not completed.

College to send scholarship payment to:	
Signature of Scholarship Recipient _____	_____
REQUIRED: Your Student ID # OR Social Security # _____	College's Address: _____
Phone: _____ Cell: _____	_____
Email: _____	Tel: _____

